

Non-Traditional Mechanisms in Funding Transportation

PROBLEM STATEMENT

Surveys and polls in Washington state show opposition to existing and new taxes, and are evidenced in recent referenda and initiatives. However, transportation departments at all levels of government find that there are insufficient funds to adequately meet existing transportation needs. Non-traditional sources of funding for transportation may offer some means of financing transportation projects in this current climate. Non-traditional mechanisms for funding transportation, some of which have been available for years, include public-private partnerships, local taxation or assessment districts, and creative use of debt financing.

- **Benefits of Non-Traditional Funding Strategies:** These strategies raise money outside of existing taxes and fees (though only a limited amount). They are also perceived as equitable, because those who benefit pay. Non-traditional sources can also speed the implementation of locally desirable projects.
- **Costs of Non-Traditional Funding Strategies:** Implementation costs, such as special analyses, public outreach, debt issuance costs, and tax collection costs, can be high. Public opposition to such funding strategies may incur financial as well as political costs.

PROPOSED APPROACHES

The non-traditional funding mechanisms considered below share the following characteristics: they are localized in benefit; those who benefit from the service pay for it; and debt financing is used.

- **Local Improvement Districts/Road Improvement Districts:** A local improvement district (LID) is the creation of local government and is a subset of the local jurisdiction, such as a neighborhood or a single block. A road improvement district (RID) would be located in an unincorporated area. These districts are created for the purpose of assessing properties within their boundaries to pay for a specific improvement.
- **Transportation Benefit Districts:** Transportation benefit districts (TBDs) are quasi-municipal corporations with independent taxing authority including the authority to impose a property tax and impact fees for transportation purposes. A potential change to this authority may be to impose the tax on automobile owners rather than property owners.
- **Tax increment financing:** A portion of property taxes in a certain area may be allocated to finance economic development or capital improvements. Local government issues bonds to finance the improvements in the district, causing property values to rise. The difference between existing property tax collections and the higher property tax collections — the increment — is used to pay off the bonds. Tax increment financing would require an amendment to the state constitution.
- **Toll Road/Toll Bridge Authority:** Highway tolls have not been in widespread use in Washington state in recent years. The 1993 Public Private Initiatives Program authorized by the State Legislature, while it re-opened the door to toll roads, also drew considerable public opposition, and only one project from that program has advanced. To reintroduce tolls on public roads in Washington state would require the development of a policy rationale that is consistent and fair to all classes of users.